

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 AID-05 AGRE-00 EB-08 H-01 L-03
CIAE-00 INR-10 NSAE-00 COME-00 TRSE-00 SS-15
NSC-05 SP-02 /060 R

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APPROVED BY NEA:NVELIOTES
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AA/NE:JCWHEELER

-----080583 012311Z /65

P 012206Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY CAIRO PRIORITY

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E.O. 11652: N/A

TAGS: EAID, EAGR, US, EG

SUBJECT: EGYPTIAN REQUEST FOR ADDITIONAL ASSISTANCE

REF: (A) CAIRO 5574; (B) STATE 22338; (C) CAIRO 1986;
(D) STATE 11835; (E) CAIRO 1217; (F) CAIRO 1216

1. SUMMARY: PRESIDENT HAS CONFIRMED SECRETARY'S DECISION TO INCREASE THE GRANT COMPONENT OF OUR SSA PROGRAM IN FY 1979 TO DOLS 500 MILLION OR TWO-THIRDS OF THE TOTAL PROGRAM (COMMENSURATE WITH PERCENTAGE GRANT OF PROGRAM FOR ISRAEL). IN ADDITION, SECRETARY HAS APPROVED OUR SUGGESTIONS FOR CERTAIN ADJUSTMENTS TO OUR PROGRAMS UNDER EXISTING ACTUAL OR REQUESTED LEVELS. REQUEST FOR MORE PL-480 STILL UNDER REVIEW. END SUMMARY.

2. FOLLOWING IS SUGGESTED LINE EMBASSY MAY WISH TO TAKE
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IN INITIAL RESPONSE TO EGYPTIAN INCREASED AID REQUEST:
(A) EGYPTIAN REQUEST HAS BEEN CAREFULLY CONSIDERED AT HIGHEST LEVELS OF USG. BECAUSE OF VERY SEVERE BUDGET CONSTRAINTS WE REGRET OUR INABILITY TO INCREASE THE ABSOLUTE LEVELS OF OUR ASSISTANCE IN EITHER FY 1978 OR FY 1979. WE DO, HOWEVER, INTEND TO PROVIDE A FULL DOLS 750 MILLION AGAIN IN FY 1979 SUBJECT TO CONGRESSIONAL APPROPRIATIONS;

IN RECOGNITION OF THE LARGE DEBT SERVICE BURDEN OF EGYPT AND THE SPECIFIC GOE REQUEST FOR AN INCREASED PERCENTAGE OF GRANT ASSISTANCE, WE ARE ASKING CONGRESS TO APPROVE THE FY 1979 PROGRAM WITH DOLS 500 MILLION (OR TWO-THIRDS OF THE TOTAL SSA PROGRAM) IN THE FORM OF GRANTS. THIS CHANGE HAS BEEN INCORPORATED IN OUR FY 1979 CONGRESSIONAL PRESENTATION.

(B) WITHIN THESE LEVELS OF ASSISTANCE, WE WILL ATTEMPT TO ACCOMMODATE, AS FEASIBLE, THE SPECIFIC PROJECT INTERESTS PRESENTED BY DR. KAISSOUNI. WE REMAIN READY TO CONSIDER LIMITED SHIFTS BETWEEN PROJECT ASSISTANCE AND CIP, IN ACCORDANCE WITH GOE NEEDS AND DESIRES.

(C) ADDITIONALLY, WE ARE INTERESTED IN MOVING EXPEDITIOUSLY WITH EGYPT TO LAUNCH THE NEW TITLE III PROGRAM THAT WE ANTICIPATE WILL AMOUNT TO DOLS 25 MILLION DURING FY 1978.

(D) SIMILARLY, WE WILL CONTINUE WORKING WITH THE GOE TO COMPLETE THE STEPS NECESSARY TO QUALIFY IT FOR A NEW CCC LINE OF CREDIT FOR UP TO DOLS 35 MILLION TO FINANCE COTTON IMPORTS.

(E) WITH REGARD TO THE EGYPTIAN REQUEST THAT A PORTION OF OUR ASSISTANCE BE PROVIDED IN THE FORM OF CASH, WE BELIEVE THAT IN VIEW OF THE IMPORTANT DEVELOPMENT IMPACT OUR PROJECT ASSISTANCE IS MAKING IN EGYPT, IT WOULD BE MISTAKE FOR BOTH U.S. AND EGYPT TO CHANNEL AVAILABLE FUNDS AWAY FROM DEVELOPMENT ACTIVITIES IN WHICH U.S. HAS COMPARATIVE LIMITED OFFICIAL USE

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ADVANTAGE AND IN WHICH VALUE OF FUTURE OUTPUT WILL BRING SIGNIFICANT BENEFITS TO THE EGYPTIAN ECONOMY. WE, THEREFORE, DO NOT BELIEVE CASH COMPONENT IN OUR PROGRAM IS IN OUR MUTUAL INTEREST AT THIS TIME.

(F) REGARDING INCREASED PL-480 REQUEST, THIS MATTER IS STILL UNDER REVIEW BUT WE HOPE TO HAVE A RESPONSE SOON.

DECONTROL SEPTEMBER 30, 1978. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, AGRICULTURAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE052783
Document Source: CORE
Document Unique ID: 00
Drafter: JRROBERTS:NEA:CAKENNEDY:KH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780094-0639
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197803118/aaaadwja.tel
Line Count: 102
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7ffb3dba-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 CAIRO 5574, 78 STATE 22338, 78 CAIRO 1986, 78 STATE 11835, 78 CAIRO 1217, 78 CAIRO 1216
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3150370
Secure: OPEN
Status: NATIVE
Subject: EGYPTIAN REQUEST FOR ADDITIONAL ASSISTANCE
TAGS: EAID, EAGR, US, EG
To: CAIRO
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/7ffb3dba-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014